

TESTIMONY OF SY STERNBERG, CHAIRMAN, PRESIDENT AND CEO
NEW YORK LIFE INSURANCE COMPANY
HOUSE FINANCIAL SERVICES FULL COMMITTEE HEARING
SEPTEMBER 26, 2001

Good morning. I am Sy Sternberg, the Chairman, President and CEO of New York Life Insurance Company. I also serve as chair of the American Council of Life Insurers. However, today, I will be speaking solely in my capacity as the head of my company, New York Life.

I want to thank Chairman Oxley and Congressman LaFalce for the opportunity to testify on this issue of national importance.

New York Life Insurance Company is a *Fortune* 100 company with total revenues of more than \$21 billion. It ranks as the fifth largest life insurance company in the United States. Founded in 1845 and headquartered in New York City, New York Life has operations in all 50 states through a network of over 7,300 employees and 9,900 agents. New York Life and its affiliates' products and services include insurance products (life, annuities and long-term care) and asset accumulation products, such as mutual funds. Through its overseas subsidiary, New York Life International, the company has operations in nine countries (Argentina, Hong Kong, India, Indonesia, Mexico, Philippines, South Korea, Taiwan and Thailand) with over 4,500 employees and 10,700 agents. The Company also has representative offices in China and Vietnam. Through New York Life Investment Management, New York Life's affiliates provide institutional asset management and trust services and an array of securities products and services such as institutional and retail mutual funds, including 401(k) products.

In the hours and days that followed the September 11 terrorist attacks, people throughout the nation were looking for ways to offer assistance . . . to do something constructive in response to this terrible tragedy.

At New York Life, we have summed up our response in one sentence: We will pay our claims quickly and compassionately.

We have been working closely with the New York Insurance Department, and we thank Superintendent Greg Serio for his strong leadership in this crisis. While a death certificate is normally required by life insurers before a claim can be paid, it can be time-consuming or, even impossible to obtain one in a disaster of this magnitude. Instead, we are contacting employers to certify those whom they know were lost. We are using the passenger manifests from the airlines. We are using obituaries and published lists of those presumed to be dead. We will use a next of kin affidavit, developed by the New York Insurance Department. And, most effective of all, we are relying on certification from our own agents, who in many cases, knew the victims and their families well and can personally attest to their loss.

Incidentally, it is impossible to overstate the important role agents can play in this process. They often are among the first to provide counseling and support for bereaved families. Not only can they save people from having to do the legwork and phone calling involved in putting a claim in motion, they can also speed up the delivery of benefits and help people prudently manage the monies they receive.

Some have questioned whether the claims arising from these attacks will have an adverse financial impact on the life insurance industry. Analysts have estimated that total life insurance claims resulting from September 11 could be in the range of \$2 to \$5 billion. While the amount of these claims is staggering, the monetary exposure is, in fact, a fraction of the \$52 billion in death claims paid last year by the life insurance industry as a whole, and therefore, will not have a material adverse impact on the industry.

In the case of New York Life, which pays out almost \$1.5 billion in death benefits per year, we expect the total amount of New York Life policyholder claims related to this tragedy to be in the range of \$100 million. This is less than a 7% increase in the total annual death claims. Our ability to pay is backed by \$40 billion in life reserves and another \$8 billion in surplus.

As of last Friday, we had received 21 claims – but that number will grow as the hope to find the thousands of people missing gradually dims. The first of those claims was paid on September 22nd. It was for a young Cantor Fitzgerald employee. The \$190,000 death benefit was delivered to his surviving relatives on Saturday by their New York Life agent.

That is the situation with regard to claims liabilities. However, we also must keep in mind that life insurance companies are major investors in corporate America. We are holders of corporate bonds, real estate, mortgages and a small percentage of our portfolio is in the equity market. If the economy worsens, and the quality of assets deteriorates, life insurers could have problems on the asset side of the balance sheet. This could have longer-term solvency implications, especially for weaker companies. I know that this Committee and the NAIC, so ably led by Commissioner Sebelius, will monitor this closely and we will assist you in that effort.

Throughout our history, New York Life has helped individuals, families and business owners rebound from times of national crisis. From the Civil War . . . to the 1906 San Francisco earthquake . . . to the Great Depression . . . we have consistently met our obligations to policyholders. Given our history and heritage, we feel a special obligation to stand at the forefront of the relief effort. The New York Life Foundation is making a contribution of \$3 million to the September 11th Fund administered by the New York Community Trust and United Way, and we are matching dollar for dollar our employees' contributions to the American Red Cross for a minimum contribution of \$1 million. Additionally, we are donating some \$1.5 million of television advertising time, originally intended for New York Life commercials, to the American Red Cross.

I am gratified by the way in which my company – and other companies in our industry – have responded to this national ordeal. This is a time for the insurance industry to be visible. This is a time for us to be charitable. And this is a time for us to stand as a pillar of stability in a none-too-stable world.

Thank you for this opportunity to testify. I am ready to answer any questions you may have.